

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE
COMMISSIONER**



FINANCIAL EXAMINATION
of the Charitable Gift Annuity Business
of

**The Whitworth Foundation
Spokane, Washington**

DECEMBER 31, 2004

**Exhibit A
Order No. G06-15
The Whitworth Foundation**

SALUTATION

Seattle, Washington
March 31, 2006

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building, Capitol Campus
302-14th Avenue SW
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business (CGAB), an examination was made of the corporate affairs and financial records of the CGAB of

The Whitworth Foundation

of


Spokane, Washington

hereinafter referred to as "TWF" at its office, 300 West Hawthorne Road, Spokane, WA 99251.

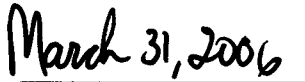
This report of examination is respectfully submitted showing the condition of the CGAB of TWF as of December 31, 2004.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity Business of The Whitworth Foundation of Spokane, Washington. This report shows the financial condition of the Charitable Gift Annuity Business and related corporate matters of The Whitworth Foundation as of December 31, 2004.



Patrick H. McNaughton
Chief Examiner



Date

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
INSTRUCTIONS.....	1
COMMENTS AND RECOMMENDATIONS.....	1
ORGANIZATION PROFILE.....	2
AFFILIATED ORGANIZATIONS.....	3
MANAGEMENT AND CONTROL	3
MANAGEMENT.....	3
BOARD OF DIRECTORS.....	3
OFFICERS.....	3
TAX STATUS	3
CONFLICT OF INTEREST	3
CORPORATE RECORDS	4
STATEMENT OF ACTUARIAL OPINION	4
ANNUITY ASSETS CUSTODIAL FUNCTION.....	4
SUBSEQUENT EVENTS	4
ACCOUNTING RECORDS AND PROCEDURES	4
FINANCIAL INFORMATION	5
ACKNOWLEDGMENT.....	6
AFFIDAVIT	7

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2000 through December 31, 2004. The 2004 Annual Report reflected the balance sheet and statement of revenue and expenses of TWF as of June 30, 2004. The OIC granted permission to TWF to present its CGAB Annual Report as of its fiscal year ended June 30, 2004. The examination of the 2004 Annual Report, therefore, covers the period ending June 30, 2004 for the balance sheet and statement of revenue and expenses sections, and the period ending December 31, 2004 for the general interrogatories and charitable gift annuities reserve fund. The financial statements are presented on a consolidated basis for both the Whitworth College (College) and TWF. However, the scope of the examination focused only on the transactions and operations of the CGAB. TWF's records, along with various aspects of its operating procedures and financial reports, were reviewed and tested during the course of this examination as necessary to substantiate its CGAB reporting. The results of the examination are commented upon in the various sections of this report. In addition, TWF's certified public accountant's (CPA's) reports were reviewed and utilized, where possible, to facilitate efficiency in the examination.

The examination was conducted in accordance with statutory requirements contained in the Revised Code of Washington (RCW) and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination was conducted at the Spokane office of TWF by examiners from the state of Washington.

INSTRUCTIONS

The examiners reviewed TWF's CGAB Annual Reports as part of the statutory examination. This review was performed to determine if TWF completed the Annual Reports in accordance with the Annual Report Instructions published by the OIC and to verify that TWF's accounts and records were prepared and maintained in accordance with Chapter 48.38 RCW.

No exceptions were noted and no instructions are included in this examination report.

COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations made in this examination report.

ORGANIZATION PROFILE

History: TWF, established in 1972 under the laws of the state of Washington, was organized for the principal purpose of raising funds for the benefit of Whitworth College.

Territory and Plan of Operation: On March 28, 1995, the OIC granted TWF a Certificate of Exemption to conduct a CGAB in the state of Washington. There were seventy-one in-force annuity contracts as of December 31, 2004: fifty-six were issued to residents of the state of Washington, seven were issued to residents of the state of California, six were issued to residents of the state of Colorado, one was issued to a resident of the state of Minnesota, and one was issued to a resident of the state of Indiana.

Total Net Assets: TWF's total net assets as of June 30, 2004 were \$10,807,740. This amount included an unrestricted net asset of \$1,052,401. The minimum unrestricted net asset requirement was satisfied as of December 31, 2004 pursuant to RCW 48.38.010(6).

Growth: The growth of TWF for the past five years is reflected in the following schedules. All information was compiled from the consolidated financial statements of the College and TWF as of the fiscal years ending June 30.

Schedule 1 – Statement of Financial Position

<u>Fiscal Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total Net Assets</u>	<u>Total Net Assets Allocated Into:</u>		
				<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
2004	\$19,705,977	\$8,898,237	\$10,807,740	\$1,052,401	\$1,693,847	\$8,061,492
2003	19,337,202	8,634,194	10,703,008	1,028,271	1,904,471	7,770,266
2002	22,120,090	9,844,325	12,275,765	879,507	2,245,028	9,151,230
2001	25,076,346	13,322,040	11,754,306	500,000	2,104,981	9,149,325
2000	25,699,905	13,503,846	12,196,059	500,000	2,234,557	9,461,502

Schedule 2 – Statement of Activities and Changes in Net Assets

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues and gains	\$1,004,439	\$612,635	\$2,357,114	\$(188,639)	\$1,164,571
Expenses	899,707	2,185,392	1,835,655	253,114	544,054
Changes in net assets	104,732	(1,572,757)	521,459	(441,753)	620,517
Net assets at beginning of year	10,703,008	12,275,765	11,754,306	12,196,059	11,575,542
Net assets at end of year	\$10,807,740	\$10,703,008	\$12,275,765	\$11,754,306	\$12,196,059
Number of gift annuity contracts at end of year	71	69	67	71	65

AFFILIATED ORGANIZATIONS

TWF is an affiliate of Whitworth College (the College). The College is a higher education institution founded and incorporated in 1890. The financial statements of the College and TWF have been presented on a consolidated basis with transactions between these entities being eliminated upon consolidation.

MANAGEMENT AND CONTROL

Management: The business affairs and property of TWF are managed by its Board of Directors (BOD). The members of the BOD consist of those individuals who are serving as members of the Board of Trustees of the College. The Board of Trustees of the College elects TWF's BOD. Pursuant to the Restated and Amended Bylaws of TWF, dated March 12, 2002, the rights of the members include amending or restating the Articles of Incorporation or Bylaws of TWF.

Board of Directors: The directors as of December 31, 2004 are:

Stacey Baker	Ron McCloskey
Harvey Bolton	William Moore
Kristi Burns	Ben Nielsen
Mary Dewey	William Robinson
Peter Enkema	Mike Romine
William Fix	Werner Rosenquist
Jeff Johnson	Jerry Sheffels
Tom Johnson	Jay Wernz
Frank Knott	Terri Wilson

Officers: In accordance with the Bylaws, the BOD elects, from within its membership, a president, vice president, secretary and treasurer. TWF's officers are Jeff Johnson, President; William Moore, Vice President; and Stacy Baker, Secretary/Treasurer.

Tax Status: TWF is a Washington State nonprofit organization and tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Conflict of Interest Policy: BOD members, officers, staff and committee members sign and file an annual certification statement with the president of TWF, setting forth any conflicts of interest when they are hired as well as any time the policy changes as a condition of employment. Any potential conflicts of interest are brought by the president to the Executive Committee of TWF. No exceptions were noted.

CORPORATE RECORDS

The Board of Directors meets at least nine times a year to discuss business which is pertinent to TWF. Minutes of the meetings of directors approve and support TWF's transactions and events. No exceptions were noted.

STATEMENT OF ACTUARIAL OPINION

A consulting actuary with Randall & Hurley, Inc., determined the adequacy of the annuity reserves. In the Statement of Actuarial Opinion, the actuary affirmed she is a member of the American Academy of Actuaries. Her opinion indicates that TWF's annuity contract reserves meet the requirements of RCW 48.38.020(3) of the Washington Insurance Code.

ANNUITY ASSETS CUSTODIAL FUNCTION

The assets of the separate reserve fund were physically segregated from the other assets of TWF as required by RCW 48.38.020(2). Total annuity investments as of December 31, 2004 were \$3,124,144, and consisted of cash, bonds, and stocks. Investments were recorded at fair value.

SUBSEQUENT EVENTS

There were no material events which impacted TWF's CGAB between the examination date and the last day of our field work.

ACCOUNTING RECORDS AND PROCEDURES

The records and source documentation supported the data and amounts presented in the annual reports and financial statements.

FINANCIAL INFORMATION

The following financial information summarizes the consolidated financial statements of the College and TWF as of June 30, 2004:

Statement of Financial Position

	Balance Per Annual Report	Examination Adjustments	Adjusted Balance
<u>ASSETS</u>			
Cash and cash equivalents	\$461,648		\$461,648
Receivables	501,479		501,479
Investments	15,618,706		15,618,706
CGA assets*	3,124,144		3,124,144
Total Assets	<u>\$19,705,977</u>	<u>\$0</u>	<u>\$19,705,977</u>
<u>LIABILITIES</u>			
Charitable remainder unitrust payable	7,194,312		7,194,312
CGA reserves*	1,703,925		1,703,925
Total Liabilities	<u>8,898,237</u>	<u>0</u>	<u>8,898,237</u>
<u>NET ASSETS</u>			
Unrestricted	1,052,401		1,052,401
Temporarily restricted	1,693,847		1,693,847
Permanently restricted	8,061,492		8,061,492
Total Net Assets	<u>10,807,740</u>	<u>0</u>	<u>10,807,740</u>
Total Liabilities and Net Assets	<u>\$19,705,977</u>	<u>\$0</u>	<u>\$19,705,977</u>

*The distribution of the annuity assets and statutory reserves are based on the Statement of Actuarial Opinion as of December 31, 2004.

Statement of Financial Activity and Changes in Net Assets

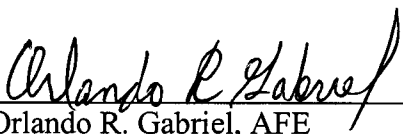
	Balance Per Annual Report	Examination Adjustments	Adjusted Balance
Total revenues	\$1,004,439	\$0	\$1,004,439
Total expenses	899,707	0	899,707
Increase (decrease) in net assets	\$104,732	0	\$104,732
Net assets at beginning of year	10,703,008	0	10,703,008
Changes in net assets per examination	0	0	0
Net assets at end of year	<u>\$10,807,740</u>	<u>\$0</u>	<u>\$10,807,740</u>

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of TWF during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; and John Gaynard, CPA, CFE, FLMI, Life and Disability Field Supervising Examiner, from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,



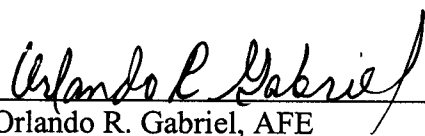
Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 }
COUNTY OF KING }

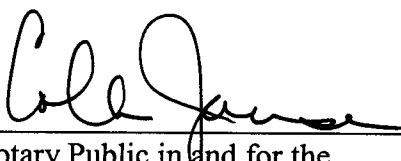
Orlando R. Gabriel, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of TWF's CGAB was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).



Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me on this 31st day of March, 2006.



Notary Public in and for the
State of Washington,
Residing at Seattle.

